

In meetings with Vermont small business owners in the aftermath of Tropical Storm Irene, Rep. Peter Welch heard one recurring message: Federal disaster relief programs did not always meet their urgent needs. In response, Welch today proposed a new federal disaster relief program tailored to meet the needs of small businesses affected by natural disasters.

In the days and weeks following Irene, SBA distributed over 1,900 business disaster loan applications. Only 234 businesses submitted a completed application, of which only 137 loans were approved.

In a letter sent today to the Small Business Administration (SBA), Welch is asking SBA Administrator Karen Mills to create a new microloan category within the existing SBA disaster loan program. Targeting businesses with fewer than 50 employees, this new loan program would provide smaller, expedited loans with reduced paperwork requirements.

In his letter, Welch reported to Mills that, "Many of our small businesses were besieged in the aftermath of the storm. Employees were working around the clock with a monumental clean up task. They simply were unable to simultaneously compile the paperwork required to apply for a SBA disaster loan. In some cases, the required three years of financial history had just been washed down the river. Others did not have the systems in place to access information in time to meet the deadline. The documentation required for a loan was simply too onerous for too many damaged and distressed small businesses."

Welch's proposal grew out of meetings with small businesses throughout Vermont. In addition to visits in the immediate aftermath of Irene, Welch in April conducted a small businesses listening tour to gather feedback on federal disaster relief programs. Welch visited Snowfire Auto and Arvad's Grill and Pub in Waterbury, North Star Bowling in Wilmington and WW Building Supply in Newfane.

Welch's full letter to SBA Administrator Mills is copied below.

July 9, 2012

The Honorable Karen G. Mills

Administrator

United States Small Business Administration

409 3rd Street, SW

Washington, DC 20416

Dear Administrator Mills,

Thank you for the support provided by your agency to Vermont small businesses in the aftermath of Tropical Storm Irene. The SBA was helpful in getting our state on the road to recovery and your assistance was very much appreciated by Vermonters.

Based on feedback I have received from businesses harmed by this devastating storm, I am writing today to request that you create a new category of disaster loans for micro businesses that would be more accessible to small businesses like too many in Vermont that were unable to make use of existing SBA programs. While I appreciate your recent efforts to streamline the disaster loan program, creating a microloan category will more directly address the challenges experienced by Vermont businesses.

Over the last nine months, I have spoken with many affected business owners. I heard

countless, inspiring stories of the community spirit that emerged to help many of them recover. I have also heard the heartbreaking stories of businesses shutting their doors and laying off employees. The feedback I received exposed a gap in support the federal government provided to recovering businesses.

To illustrate the problem, SBA distributed over 1,900 business disaster loan applications in Vermont in the days and weeks following the storm. Only 234 businesses were ultimately able to submit a completed application, of which only 137 were approved for a loan.

Many of our small businesses were besieged in the aftermath of the storm. Employees were working around the clock with a monumental clean up task. They simply were unable to simultaneously compile the paperwork required to apply for a SBA disaster loan. In some cases, the required three years of financial history had just been washed down the river. Others did not have the systems in place to access information in time to meet the deadline. The documentation required for a loan was simply too onerous for too many damaged and distressed small businesses.

Importantly, the businesses needed small amounts of cash immediately in order to make necessary repairs to reopen. Their financial needs were far below the maximum loan amount for a SBA disaster loan. The SBA disaster loan process was simply too complicated and too time consuming for the small amount of money they needed to reopen.

The Small Business Administration Disaster Loan Program for businesses needs to be more accessible to micro businesses in rural states like Vermont. Nearly nine out of ten businesses in Vermont have less than ten employees. These businesses are the backbone of our rural economy. The current program should accommodate their special circumstances with smaller loans, faster turn-around times, and less paperwork.

I request that SBA create a new microloan category of disaster loans tailored to meet the needs of businesses with fewer than 50 employees. Small microloans would be a minimal risk to the federal government because of the significantly lower maximum loan amount and would, in a disaster, quickly get cash into the hands of the very small businesses that are essential to the economic health of rural states like Vermont.

I would like to discuss this proposal with you at your earliest convenience. You can reach me at (202) 225-4115.

Sincerely,

PETER WELCH
Member of Congress